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Tesseract selling school assets to parent groups

By Hal Mattern
The Arizona Republic

The financially struggling Tesseract Group Inc. has agreed to sell the assets of its Paradise Valley and Ahwatukee private schools to parent groups, subject to U.S. Bankruptcy Court approval.

Both groups already have purchased the school facilities and land from a real estate investment trust, Education Property Investors, which leased the school buildings to Tesseract.

Assets including furniture and equipment would be sold by Tesseract to the parent groups, which would run the schools as private, non-profit institutions using the current Tesseract teachers, staff and curriculum.

Additionally, Tesseract officials have been negotiating the sale of the company's north Scottsdale private school operations to a parent group. However, the Catholic Diocese of Phoenix also is interested in buying the property, which is also owned by Education Property Investors.

Lucian Spataro, chief executive officer of Tesseract, said the company has reached a tentative agreement with the Scottsdale parent group and that negotiations are continuing.

"We are cautiously optimistic that we can conclude these transactions and that they will be approved by the court," Spataro said. "In all of these transactions, it is contemplated that everything will remain the same at the schools."

See TESSERACT | Page D8

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>
> **Lucian Spataro**
> CEO of Tesseract Group, Inc.

Tesseract Selling School Assets to Parent Groups

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Arizona Republic (Phoenix, Arizona) · Fri, Jan 5, 2001 · Page 50
Downloaded on Mar 12, 2026

TESSERACT | Selling school assets

From Page D1

A Bankruptcy Court hearing on the sale agreements is expected to be held as early as next week.

Tesseract, which operates private, charter and pre-kindergarten schools in Arizona, filed for Chapter 11 bankruptcy protection in October. The company has continued to operate its schools while attempting to sell its assets, including the Sunrise preschool chain.

Spataro said Tesseract officials have concentrated on selling the assets of the money-losing private schools first. It is unclear whether the company will continue to operate the charters and preschools after emerging from bankruptcy proceedings.

Parents at all three of the private schools formed nonprofit foundations late last year and began raising funds to purchase the assets. Some of the parents also formed separate limited-liability companies to purchase the facilities and land from Education Property Investors.

The Paradise Valley parent company purchased the facility last month for about $2.9 million; the purchase price for the Ahwatukee school was about $5 million.

A similar parent company has offered Education Property Investors about $9.6 million for the north Scottsdale school, but the Catholic Diocese reportedly has offered more than $11 million for the facility, which it would operate as a high school.

Marybeth Mueller, superintendent of schools for the diocese, said the diocese is in the middle of negotiations and that it would be inappropriate for her to comment.

Representatives of Education Property Investors were unavailable for comment Thursday.

Betsy Kauffman, co-president of the foundation of Tesseract parents in Scottsdale, said the group was unsure how it would proceed in its quest to buy the Tesseract school.

"We're in a real difficult situation because there is no way we can build a school by next fall," Kauffman said. "There's nothing we can do. They (the Catholic Diocese) have deep pockets."

Reach the reporter at hal.mattern @arizonarepublic.com or (602) 444-8652.

Tesseract Selling School Assets

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